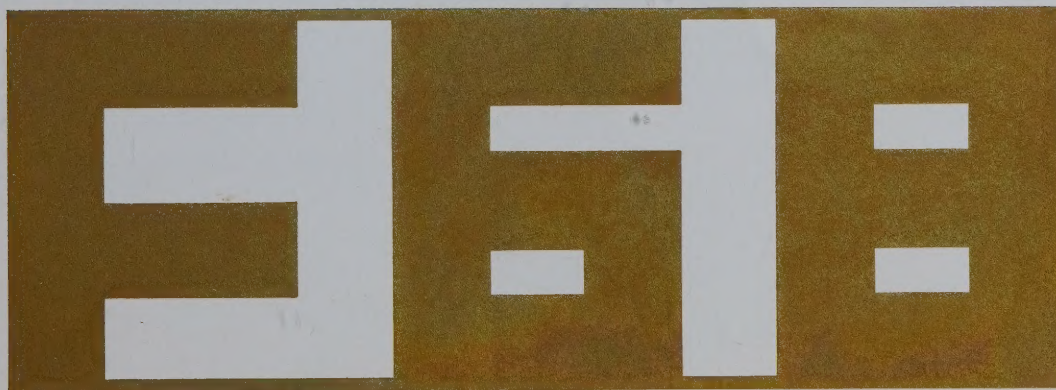


file

Freimans

OF OTTAWA

ANNUAL REPORT • 1968





TO THE SHAREHOLDERS OF A. J. FREIMAN LIMITED

I am pleased to present, on behalf of the Board of Directors, the annual accounts of the Company and its subsidiaries for the twelve months ended January 31st, 1969.

Sales were \$27,761,766 compared to \$27,307,449 for the previous year.

Net profit from operations after taxes was \$192,037 compared to \$615,328 for the previous year.

The decline in net earnings was due mainly to the loss which occurred in the new St. Laurent store in its first year of operation. In the interim report sent to shareholders for the six months ended July 31st, 1968, I pointed out that "We anticipated also that the St. Laurent store would not be profitable in this the first year of its operation. However, given a normal development period I am confident that this unit will reach its anticipated potential and prove its progressively important profitability to the Company." In this regard I wish to report that for February, March and April this year sales at the St. Laurent store increased by 14 per cent over the same period last year and are showing the results of the changes that have been made in this store physically, administratively and through more effective merchandising procedures.

Sales for the year under review also indicate that further inroads in volume were made in our business. This occurred because of the St. Laurent Shopping Centre itself, and new department stores which were opened making competition even more acute. Now that the first impact of this situation is over, we have reason to believe that we can look forward to improved sales and earnings for the current year.

We believe we shall benefit also through a by-law which makes it permissible for the Freiman stores to open Thursday nights as well as Friday nights. The by-law became effective in early April and gives us the opportunity to compete for night shopping more effectively with department stores which are open six nights a week on the fringe of the Ottawa Municipality.

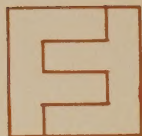
Our shareholders will be pleased to note on the accompanying financial statements the increases in the working capital and retained earnings of the Company.

This past year reflects the acceptance accorded the Company's merchandise by an ever-expanding number of customers. For this, we are most grateful, and also for the important efforts made by its personnel at all levels of the organization, and for the co-operation of its suppliers.

On behalf of the Board of Directors

LAWRENCE FREIMAN
President

May 23, 1969.



A. J. FREIMAN LIMITED

OTTAWA, CANADA

Board of Directors

Lawrence Freiman
Mrs. B. M. Alexandor
Mrs. B. Luxenberg
G. E. Beament, Q.C.
Ward C. Pitfield
Sydney Hermant
H. Perlmann
G. Roston

Officers

Lawrence Freiman
President and Managing Director

H. Perlmann
Executive Vice-President

F. Ryan
Vice-President

B. Luxenberg, Q.C.
Secretary

B. M. Alexandor, Q.C.
Treasurer

D. F. Alexandor
Assistant Secretary

Bankers: Canadian Imperial Bank of Commerce

Auditors: Price Waterhouse & Co.

Transfer Agent and Registrar: The Royal Trust Company

Stores

A. J. FREIMAN LIMITED
Rideau Street
St. Laurent Shopping Centre
Westgate Shopping Centre

FREIMART STORES LTD.
Baseline Road and Woodroffe Ave.
Blair Road and Queensway

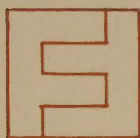
Foreign Buying Offices

U.S.A.
11 West 42nd Street,
New York, 36, N.Y.
208 West Eight Street
Los Angeles 14, California

ENGLAND
27 Albemarle Street,
London, W 1

FRANCE
20 rue de la Paix
Paris, 2

ITALY
10 Lungarno Acciaioli
Florence



A. J. FREIMAN LIMITED *and Subsidiary Companies*

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended January 31, 1969

	January 31 1969	January 31 1968
Sales	\$27,761,766	\$27,307,449
Cost of merchandise sold and all expenses, except the items shown below:	26,294,102	25,170,364
Provision for depreciation	400,826	373,156
Amortization of alterations, improvements and development expenses	109,809	103,305
Amortization of leasehold improvements	60,956	45,066
Bond and debenture interest	193,760	207,272
Bank interest	325,276	160,958
	<u>27,384,729</u>	<u>26,060,121</u>
Earnings before provision for income taxes	377,037	1,247,328
Provision for income taxes (Note 3)		
Current	259,000	542,000
Deferred	(74,000)	90,000
	<u>185,000</u>	<u>632,000</u>
Net earnings for the year	<u>\$ 192,037</u>	<u>\$ 615,328</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended January 31, 1969

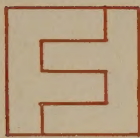
	January 31 1969	January 31 1968
Balance at beginning of year	\$ 6,412,999	\$ 6,071,671
Net earnings for the year	192,037	615,328
	<u>6,605,036</u>	<u>6,686,999</u>
Deduct:		
Dividends —		
Stock in Class A shares (Note 4)	95,625	153,000
Cash	57,375	—
Adjustment applicable to prior years for income tax purposes in respect of deferred charges	—	121,000
	<u>153,000</u>	<u>274,000</u>
Balance at end of year	<u>\$ 6,452,036</u>	<u>\$ 6,412,999</u>



A. J. FREIMAN LIMITED and Subsidiary Companies

CONSOLIDATED BALANCE SHEET — JANUARY 31, 1969

ASSETS		January 31 1969	January 31 1968
CURRENT ASSETS:			
Cash		\$ 159,115	\$ 142,990
Accounts receivable		5,266,208	5,334,819
Merchandise valued at the lower of approximate cost or market		3,880,048	4,380,988
Prepaid expenses		51,234	53,258
		<u>9,356,605</u>	<u>9,912,055</u>
OTHER ASSETS:			
Cash surrender value of life insurance policies		205,086	195,050
Deferred alterations, improvements and development expenses, less amortization (Note 3)		299,316	380,772
Special refundable tax		38,544	36,990
Other investments, at cost		26,573	35,046
		<u>569,519</u>	<u>647,858</u>
FIXED ASSETS:			
Land (Note 1)		1,047,500	1,047,500
Buildings and equipment at cost, less accumulated depreciation of \$3,747,768 (1968 — \$3,946,901)		3,423,304	3,771,536
Leasehold improvements, less amortization		1,522,827	1,550,212
		<u>5,993,631</u>	<u>6,369,248</u>
		<u>\$15,919,755</u>	<u>\$16,929,161</u>



LIABILITIES

CURRENT LIABILITIES:

	January 31 1969	January 31 1968
Bank indebtedness	\$ 4,294,957	\$ 4,803,573
Accounts payable and accrued liabilities	1,022,979	1,164,198
Long term debt due within one year (Note 2)	243,500	243,500
Income taxes	20,583	101,691
	<u>5,582,019</u>	<u>6,312,962</u>

LONG TERM DEBT (Note 2)	<u>2,963,000</u>	<u>3,206,500</u>
-----------------------------------	------------------	------------------

DEFERRED INCOME TAXES (Note 3)	<u>447,000</u>	<u>521,000</u>
--	----------------	----------------

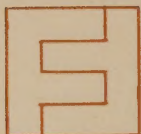
CAPITAL STOCK AND RETAINED EARNINGS:

Preferred stock — (Note 4)		
Common stock — no par value		
Authorized — 1,170,000 shares		
Issued — 765,000 shares	475,700	475,700
Retained earnings, including tax paid		
undistributed income of \$1,124 (1968 — \$96,749)	6,452,036	6,412,999
	<u>6,927,736</u>	<u>6,888,699</u>
	<u>\$15,919,755</u>	<u>\$16,929,161</u>

Approved on behalf of the Board:

Lawrence Freiman, Director

H. Perlmann, Director



A. J. FREIMAN LIMITED *and Subsidiary Companies*

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	January 31 1969	January 31 1968
Source of Funds:		
Net earnings for the year	\$ 192,037	\$ 615,328
Non-cash charges deducted in arriving at net earnings —		
Depreciation and amortization	571,591	521,527
Deferred income taxes	(74,000)	90,000
Decrease in other investments	8,473	—
Funds provided by operations	<u>698,101</u>	<u>1,226,855</u>
 Application of Funds:		
Net additions to fixed assets	86,165	1,200,585
Net increase in deferred alterations, improvements and development expenses	28,353	157,295
Increase in special refundable tax	1,554	6,717
Increase in cash surrender value of life insurance policies	10,036	12,806
Decrease in long term debt	243,500	245,500
Dividends	153,000	153,000
	<u>522,608</u>	<u>1,775,903</u>
 Resulting in an increase (decrease) in working capital of	175,493	(549,048)
Working capital at beginning of year	<u>3,599,093</u>	<u>4,148,141</u>
 Working capital at end of year	<u><u>\$3,774,586</u></u>	<u><u>\$3,599,093</u></u>



A. J. FREIMAN LIMITED *and Subsidiary Companies*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1969

1. Land is valued as follows:

Land, per 1928 appraisal	\$ 553,000
Subsequent additions, at cost	494,500
	<u>\$1,047,500</u>

Land was appraised in 1965 at a value of \$1,983,000

2. Long term debt:

	Due in one year	Due after one year
First Mortgage Bonds —		
4% sinking fund bonds, Series A, maturing May 1, 1975	\$112,500	\$ 675,000
6% sinking fund bonds, Series B, maturing June 15, 1979	31,000	490,000
6½% sinking fund debentures, Series A, maturing May 15, 1981	100,000	1,798,000
	<u>\$243,500</u>	<u>\$2,963,000</u>

3. Depreciation and amortization recorded in the accounts exceeded the maximum amount allowable for income tax purposes. The resulting increase of \$74,000 in income taxes currently payable has been credited to earnings in the provision for income taxes and charged to deferred income taxes.

4. Preferred stock:

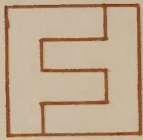
1% non-cumulative Class A preferred shares of \$1 each —

Authorized — (of which 898,875 shares were issued and redeemed prior to January 31, 1969, leaving a balance of 11,125 unissued at that date)

910,000 shares \$910,000

Issued —

Balance, January 31, 1968	—	—
Stock dividend during period	95,625 shares	\$ 95,625
Deduct: Redeemed and cancelled	95,625 shares	95,625
Balance, January 31, 1969	<u>—</u>	<u>—</u>



5. Minimum annual rentals under long term leases extending from 1975 to 1992 amount to \$753,360.
6. The remuneration of directors and the salaries of employees who are also directors amounted to \$140,617 in the year; this includes payment received by a senior employee who resigned November 19th, 1968.
7. Trust Indentures, pursuant to which the bonds and debentures of the company have been issued, provide that the company will not declare or pay any dividends (other than stock dividends) on, or redeem, any common shares or shares issued as stock dividends unless immediately after such action,
 - (a) the consolidated net current assets of the company and its subsidiaries exceed the lesser of \$2,000,000 or 50% of the aggregate principal funded obligations of the company and its subsidiaries, and
 - (b) the aggregate amount declared as dividends, distributed and/or paid on redemption, subsequent to January 1, 1961, in respect of common shares of stock issued as dividends is not greater than the consolidated net earnings of the company and its subsidiaries during the period commencing January 1, 1960.

PRICE WATERHOUSE & CO.

77 METCALFE STREET
OTTAWA
ONTARIO

April 11, 1969

AUDITORS' REPORT

To the Shareholders of
A.J. Freiman Limited:

We have examined the consolidated balance sheet of A. J. Freiman Limited and subsidiary companies as at January 31, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 31, 1969 and the results of their operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co

Chartered Accountants.

